

VERILUMA



VERILUMA LIMITED
(formerly
Parmelia Resources Limited)
ABN 48 142 901 353

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
31 DECEMBER 2016

Note: The information contained in this condensed report is to be read in conjunction with Veriluma Pty Limited's 2016 annual report and any announcements made by the company during the half-year period ending 31 December 2016

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

CONTENTS

Corporate Directory	2
Directors' Report	3
Auditor's Independence Declaration	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors' Declaration	22
Auditor's Review Report	23

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

CORPORATE DIRECTORY

Directors

Richard Anstey	Non-Executive Chairman
Elizabeth Whitelock	Managing Director and Chief Executive Officer
Nigel Gellard	Non-Executive Director

Company Secretary

Justin Clyne

Registered Office

Level 3
33-35 Atchison Street
St Leonards
New South Wales 2065
Telephone +61 2 8039 0533
Facsimile +61 2 8039 0534
Website: www.veriluma.com
Email: info@veriluma.com

Auditor

KPMG
Level 11, Corporate Centre One
Cnr Bundall Road & Slatyer Avenue
Bundall Queensland 4217
Telephone +61 7 5577 7555
Facsimile +61 7 5577 7444
Website: www.kpmg.com.au

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth
Western Australia 6000
Telephone 1300 850 505
Telephone +61 8 9323 2000 Outside Australia
Facsimile +61 8 9323 2033
Email: web.queries@computershare.com.au

Home Exchange

Australian Securities Exchange Limited
Exchange Plaza
2, The Esplanade
Perth WA 6000

ASX Code – VRI

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

DIRECTORS' REPORT

The Directors of Veriluma Limited present their report together with the financial statements of the consolidated entity being Veriluma Limited ("the Company" or "Veriluma") and its controlled entities ("the Group") for the half-year ended 31 December 2016. For the purposes of the interim financial statements the Group is reflected as the continuation of Veriluma Pty Ltd which was considered the accounting acquirer in the acquisition of Parmelia Resources Limited.

Directors

The following persons were Directors of the Company during the period and up to the date of this report, unless otherwise stated:

Mr Richard Anstey	Non-Executive Chairman (Appointed on 8 September 2016)
Ms Elizabeth Whitelock	Managing Director and Chief Executive Officer (Appointed on 8 September 2016)
Mr Nigel Gellard	Non-Executive Director (Resigned as Executive Chairman on 8 September 2016 and appointed as Non-Executive Director)
Mr Jay Stephenson	Non-Executive Director (Resigned on 8 September 2016)
Mr Peter Ellery	Non-Executive Director (Resigned on 8 September 2016)

Company Secretary

The following person was the Company Secretary during the period and up to the date of this report, unless otherwise stated:

Mr Justin Clyne (Appointed on 7 October 2016)
Mr Jay Stephenson (Resigned on 7 October 2016)

Principal activities

During the period there was a significant change in the principal activities of the listed entity, Parmelia Resources Limited, following the acquisition of 100% of the issued capital in Veriluma Software Pty Ltd (formerly Veriluma Pty Ltd) (ACN 117 490 785) ("Veriluma"), a software technology development company.

On 8 September 2016, the Company successfully completed the acquisition of Veriluma Pty Ltd and the principal activity of the Group on the ASX was changed from the exploration of the Jaurdi Hills Project in Western Australia to the product development, marketing and commercialisation of software, products and services.

Results of Operations

The loss of the Group for the period after tax amounted to \$13,632,407 (31 December 2015 loss: \$346,451). Included within this loss are \$12,371,378 of non-cash, non-recurring expenses, primarily related to the acquisition. The loss after tax excluding these non-cash items is \$1,261,029. Net cash used in operations was \$1,244,382 (31 December 2015: \$115,712).

Review of Operations

Highlights

- Contract secured with the Australian Department of Defence (DoD) to build a prototype model with collaboration across multiple agencies.
- The DoD project allows Veriluma to showcase its capabilities across multiple government departments.
- The pilot is progressing well and is on track to be completed in May with presentations in early June.
- The Company believes that a successful outcome is likely to lead to further contracts and a longer-term commitment to Veriluma's technology from the Vice Chief of Defence.
- The first Legal Logix online application is in development. In Australia in 2015, there were 48,517 divorces (this figure excludes de facto settlements). Estimated spend on family law disputes in Australia is \$1.31b in the year 2014-15. Of divorce cases before the Family Law Court in 2015-16, 26% had one party self-represent; 11% had both parties self-represent.
- The first application will focus in this area i.e. marital dispute resolution. The Veriluma model, which will predict the likely property settlement, is in testing. The official launch of the application is anticipated in early Q3 2017.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)**

ABN 48 142 901 353

INTERIM FINANCIAL REPORT 31 DECEMBER 2016

- Legal Logix already has plans to expand into other areas of law including estate services, personal injury and areas where consumers will benefit from early dispute resolution.
- The Gilbert + Tobin pilot is now underway and due for delivery during the second quarter. In legal matters, Veriluma's prescriptive engine can assist in assessing risk and predicting the likely outcomes of cases.
- A RegTech (Regulatory Technology) solution, SAMI (Surveillance and Monitoring Intelligence) has been developed to provide oversight of advice given by financial planners and advisors and whether they are acting in the best interest of their clients.
- A strategy to develop new business in the Financial Services sector is being executed and we are currently engaged in discussions with several banks.
- A process to sell the legacy exploration tenements is well underway and the company is in advanced discussions with a number of interested parties. The board is confident that this will lead to a successful transaction in the near future.

Business overview

In December 2016, the Company entered into a contract with the DoD to build a prototype 'Indicators and Warnings' model for Climate and Disaster Preparedness. The project is an important new collaboration between multiple government departments and research agencies. The Company anticipates that the success of the trial will provide ongoing and mutually beneficial relationships between the Company and other participating agencies of the Australian Federal Government.

The project is being led by Dr Stuart Nettleton, the Company's Chief Data Scientist. Dr Nettleton will be assisted by Professor Roger Bradbury, a highly experienced and well-respected researcher and consultant within both DoD and the wider strategic policy environment.

The prototype will be built during the first five months of 2017 with final presentations in June. The contract value for the pilot project is \$124,525 and comprises a six-month software licence and associated services, as part of Phase One of a potentially larger project.

During 2016 testing commenced on a prescriptive analytics model for Legal Logix, a joint venture partner of the Company. The initial focus is on predicting property settlement outcomes in family law disputes. The application design will make it easy and intuitive to use. There are plans in place to expand into other areas of law including, but not limited, to estate services and personal injury claims. The emphasis and focus of Legal Logix being early dispute resolution for consumers.

Commercial partnership discussions are underway with a disruptive law firm, with a presence in the UK and South Africa, whose application addresses motor vehicle accident and personal injury claims. This is a significant opportunity and Legal Logix anticipates executing a Heads of Agreement next quarter.

Since 31 December 2016 a paid pilot has commenced with Gilbert + Tobin with a scheduled conclusion in the June 2017 quarter. Veriluma's prescriptive analytic capability is particularly powerful in the legal services industry as it allows facts and opinions to come together to provide firms, like Gilbert + Tobin, the ability to assess the risks of cases ahead of time, as well as the likely judgements and settlements that can be expected.

The Company has also launched a strategy to develop new business in the Financial Services sector. Discussions are underway with several organisations. Our software can be used to perform, among other things, assessment of risk in lending and investments, insurance strategy and claims and identifying anti money laundering transactions.

Technology overview

The Company has invested strategically in its technology and development capabilities to support its further expansion into markets outside the defence industry. Central to this has been the development of a hosted Web Service Application Programming Interface (API), drastically reducing the complexity and cost of integrating with Veriluma's patented core technology, for cloud connected applications. A beta demonstration of the service has been completed and the Web Service API will become generally available to customers using the platform when launched next quarter.

During the period, the Company has researched and begun development into subscription licensing and the potential to introduce three product offerings. If deployed, this will provide different entry points for users who wish to take advantage of the prescriptive patented engine. With a hosted Web Service, model development and deployment is more

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

accessible. The increased accessibility is expected to yield a corresponding increase in subscriptions and users.

Exploration Tenements

The Company holds a number of legacy exploration tenements in Western Australia. With the Company now focused on being Australia's leading prescriptive analytics software provider, the Board is committed to an early divestiture of these tenements. As announced in the Company's quarterly update to the market (refer ASX Announcement of 30 January), the Board has commenced a process for the sale of these tenements and is engaged in advanced discussions with a number of interested parties. The Board is confident that a successful transaction will be concluded in the near future and the Company will continue to update the market with any new material information as and when it arises.

Significant changes in the state of affairs

On 8 December 2015, Veriluma Pty Ltd (ACN 117 490 785) and Parmelia Resources Limited (ASX: PML) signed a legally binding Heads of Agreement to acquire 100% of the issued capital in Veriluma Pty Ltd, a software technology development company.

On 29 July 2016, Parmelia Resources Limited issued the prospectus seeking to raise \$3,500,000 through the issue of 50,000,000 fully paid ordinary shares in the capital of the Company at \$0.07 per share. On 30 August 2016, the Company confirmed the oversubscriptions of the Prospectus offer to raise \$3.5 million at an issue price of \$0.07.

On 8 September 2016, the acquisition was completed and the Company appointed Mr Richard Anstey as Non-Executive Chairman and Ms Elizabeth Whitelock as Managing Director and Chief Executive Officer. At the same time, Mr Peter Ellery and Mr Jay Stephenson resigned as Directors. The following equities were issued on 8 September 2016:

- 50,000,000 ordinary shares were issued pursuant to the prospectus dated 29 July 2016
- 162,857,400 ordinary shares and 40,000,000 performance shares as consideration for the acquisition of Veriluma Pty Ltd
- 2,857,143 ordinary shares for the payment of outstanding loans which are owed by Veriluma Pty Ltd to SJSJ Pty Ltd
- 17,465,883 ordinary shares to a Corporate Advisor and Lead Manager

As approved by the Parmelia Resources Limited shareholders on 13 July 2016 the name of the Company was changed from "Parmelia Resources Limited" to "Veriluma Limited" on 12 September 2016, and the principal activities of Parmelia Resources Limited were changed to product development, marketing and commercialisation of software, products and services.

The Company was reinstated to official quotation on the ASX on 27 September 2016 following the completion of the fund raising under the Prospectus dated 29 July 2016 and the completion of the Veriluma acquisition on 8 September 2016 having been suspended from quotation on the Official List of the ASX since 12 July 2016.

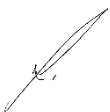
Significant Events after the Reporting Date

No matter or circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group or economic entity in subsequent financial periods.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half-year ended 31 December 2016 can be found on page 6 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors.



Richard Anstey
Non-Executive Chairman

28 February 2017

VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Veriluma Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Adam Twemlow', with a long horizontal flourish extending to the right.

Adam Twemlow

Partner

Bundall

28 February 2017

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE
HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	31 December 2016 \$	31 December 2015 \$
Revenue		5,000	6,000
Employee expenses		(395,819)	(169,655)
Consulting fees		(205,811)	-
Professional fees		(87,422)	(52,041)
Directors' fees		(33,123)	-
Exploration tenement expenses		(110,216)	-
Legal fees on acquisition of Parmelia Resources Ltd		(189,124)	-
Listing expense on the acquisition of Parmelia Resources Ltd	4	(12,371,378)	-
Marketing and public relations expense		(100,302)	(27,852)
Rent		(16,284)	(19,902)
Share registry fees		(41,627)	-
Travel and accommodation expenses		(23,277)	(5,989)
Other expenses		(56,408)	(6,977)
Results from operating activities		(13,625,791)	(276,416)
Share of profit from equity accounted investments		985	-
Finance income		1,341	236
Finance costs		(8,942)	(70,271)
Net financing income (costs)		(6,616)	(70,035)
Loss before income tax		(13,632,407)	(346,451)
Income tax expense		-	-
Loss for the period		(13,632,407)	(346,451)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period attributable to members of the Company		(13,632,407)	(346,451)
Basic/diluted loss per share (cents)	5	(4.77)	(0.23)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT 31 DECEMBER 2016**

	Note	31 December 2016 \$	30 June 2016 \$
Current Assets			
Cash and cash equivalents		1,451,901	17,522
Trade and other receivables		124,942	303,983
Prepayments		72,503	-
Total Current Assets		1,649,346	321,505
Non-Current Assets			
Investment in equity accounted investments		985	-
Property, plant and equipment		7,987	8,876
Other non-current assets		12,684	-
Total Non-current Assets		21,656	8,876
Total Assets		1,671,002	330,381
Current Liabilities			
Trade and other payables		328,719	356,516
Provisions	6	147,315	124,825
Current financial liabilities	9	25,911	1,199,684
Total Current Liabilities		501,945	1,681,025
Non-Current Liabilities			
Provisions	6	37,578	34,783
Total Non-Current Liabilities		37,578	34,783
Total Liabilities		539,523	1,715,808
Net Assets		1,131,479	(1,385,427)
Equity			
Issued capital	7	14,360,375	423,109
Reserves		2,135,303	-
Retained profits (accumulated losses)		(15,364,199)	(1,808,536)
Total Equity		1,131,479	(1,385,427)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Notes	Issued capital	Option Reserves	Accumulated losses	Total
		\$	\$	\$	\$
Balance at 1 July 2015		100	-	(862,337)	(862,237)
Loss for the period				(346,451)	(346,451)
Total comprehensive loss for the period		-	-	(346,451)	(346,451)
Transactions with owners, recognised directly in equity					
Shares issued for cash, net of cost	7	423,009	-	-	423,009
Balance at 31 December 2015		423,109	-	(1,208,788)	(785,679)
Balance at 1 July 2016		423,109	-	(1,808,536)	(1,385,427)
Loss for the period		-	-	(13,632,407)	(13,632,407)
Total comprehensive loss for the period		-	-	(13,632,407)	(13,632,407)
Transactions with owners, recognised directly in equity					
Share based payment – settlement of liabilities	7	200,000	-	-	200,000
Share based payments – acquisition of PML	4	13,737,266	2,212,047	-	15,949,313
Lapsed options	8		(76,744)	76,744	-
Balance at 31 December 2016		14,360,375	2,135,303	(15,364,199)	1,131,479

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Receipt from customers	5,000	167,353
Payments to suppliers and employees	(1,489,564)	(283,301)
Interest received	1,341	236
Interest paid	(8,942)	-
R&D rebate	247,783	-
Net cash used in operating activities	<u>(1,244,382)</u>	<u>(115,712)</u>
 Cash flows from investing activities		
Advances to associates	(22,715)	-
Purchase of property, plant & equipment	(425)	-
Net cash used in investing activities	<u>(23,140)</u>	<u>-</u>
 Cash flows from financing activities		
Proceeds from issue of shares (net of costs)	-	423,009
Repayment of related party borrowings	(636,384)	(300,000)
Proceeds from borrowings	-	68,908
Bank guarantee	(12,684)	-
Net cash provided by/(used in) financing activities	<u>(649,068)</u>	<u>191,917</u>
 Net increase/(decrease) in cash and cash equivalents	(1,916,590)	76,205
Cash and cash equivalents at the beginning of the period	17,522	1,653
Cash acquired on acquisition of Parmelia Resources Limited	3,350,969	-
Cash and cash equivalents at the end of the period	<u>1,451,901</u>	<u>77,858</u>

The above consolidated statement cash flows should be read in conjunction with the accompanying notes.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 1: REPORTING ENTITY

Veriluma Limited (the “Company”) is a company domiciled in Australia. These condensed consolidated interim financial statements as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the “Group”). For the purposes of the interim financial statements the Group is reflected as the continuation of Veriluma Software Pty Ltd (formerly Veriluma Pty Ltd) which was considered the accounting acquirer in the acquisition of Parmelia Resources Limited. The Group is primarily involved in product development, marketing and commercialisation of software, products and services.

NOTE 2: BASIS OF PREPARATION

The interim consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of Veriluma Software Pty Ltd (formerly Veriluma Pty Ltd) (the acquirer for accounting purposes, refer note 4) as at and for the year ended 30 June 2016, which are available upon request from the Company’s registered office at Level 3, 33-35 Atchison Street, St Leonards, New South Wales 2065.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2017.

a) Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Veriluma Software Pty Ltd (formerly Veriluma Pty Ltd) 2016 annual financial report. Following the reverse acquisition on 8 September 2016 the following additional accounting policies have been adopted by the Group:

**(i) Basis of consolidation
Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

(i) Basis of consolidation (continued)

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non Controlling Interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in joint ventures and associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income (OCI) of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(ii) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operation in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when:

- (i) Sufficient data exists to determine technical feasibility and commercial viability; and
- (ii) Facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy in Note (iv)). For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and revaluation expenditure to mining property and development assets within property, plant and equipment.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

(iii) Employee benefits

Equity-settled compensation

The Group operates an Incentive Option Scheme share-based compensation plan. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the profit or loss. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(iv) Impairment

Financial assets (including receivables)

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

The Group considers evidence of impairment for these assets measured at both an individual asset and a collective level. All assets are individually assessed for specific impairment.

An impairment loss in respect of financial assets measured at amortised cost is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

(iv) Impairment (continued)

Non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(v) Goods and services tax

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(vi) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(vii) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(viii) Share based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

(viii) Share based payments (continued)

The fair value of the unlisted options issued, share appreciation rights and warrants is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of the Company's share prices, adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

There were no new accounting standards that became effective in the interim reporting period ended 31 December 2016 that had an impact on the balances or transactions in the half year financial statements presented.

b) Comparatives

As Veriluma Pty Ltd is the acquirer for accounting purposes the comparatives disclosed in the interim financial report are Veriluma Pty Ltd. From 8 September 2016 (the date of the acquisition) the financial position and performance represents the consolidated Group results.

c) Use of judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In addition to the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the consolidated financial statements as at and for the six months ended 31 December 2016, management has made significant judgements and estimates in relation to the following transactions that occurred during the period:

- Acquisition of Parmelia Resources Limited (see note 4)
- Share based payments (see note 8)
- Going concern (see note 2(d))

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

d) Going concern

The directors have prepared the interim financial statements of the Group on a going concern basis, which assumes continuity of normal business activities and realisation of assets and the settlement of liability in the ordinary course of business.

The Group is in the research, development and early commercialisation stage of its predictive analytic technology. During the period the consolidated Group has incurred a net loss after tax for the half year ended 31 December 2016 of \$13,632,407 (31 December 2015: \$346,451 loss). The loss includes the share based payment listing expense of \$12,371,378 which resulted from the reverse acquisition on 8 September 2016. The Group incurred net cash outflows from operations of \$1,244,382 (31 December 2015: \$115,712 net cash outflow). As at 31 December 2016, the Group had cash and cash equivalents of \$1,451,901 (30 June 2016: \$17,522) and net assets of \$1,131,479 (30 June 2016: net liabilities \$1,385,427).

Management have prepared cash flow projections that support the Group's ability to continue as a going concern. These cash flows assume the Group will continue to invest in the research, development and commercialisation of its predictive analytic technology and are dependent on the following:

- the Group generating significant positive cash flows from the commercialisation of its predictive analytic technology; and/or
- raising additional funding from shareholders or other parties; and
- maintaining expenditure in line with available funding.

The directors of the Group consider that the above assumptions can be achieved and the Group will be able to continue as a going concern. In the event that the Group cannot continue as a going concern it may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the interim financial report.

NOTE 3: OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report is the same information that is reviewed by the Directors.

The Group has identified it only operates in one business segment, being the product development, marketing and commercialisation of software, products and services. As all significant assets and liabilities and the financial result relates to the one business segment, no detailed segment analysis has been performed. No seasonality in the business segment has been identified that would have a significant impact on the interim results of the Group.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 4: ACQUISITION OF PARMELIA RESOURCES LIMITED

On 8th September 2016, Veriluma Limited (formerly Parmelia Resources Limited) acquired 100% of the ordinary share capital and voting rights of Veriluma Software Pty Ltd (formerly Veriluma Pty Ltd) as detailed in the Share Sale Agreement between Veriluma Limited and Veriluma Software Pty Ltd dated 23 December 2015. Veriluma Software Pty Ltd was an unlisted private company involved in the development and commercialisation of intellectual property predominantly in the field of predictive analytics technology.

Veriluma Limited gained legal control of Veriluma Software Pty Ltd through the issue of Veriluma Limited ordinary shares to the shareholders of Veriluma Software Pty Ltd. The acquisition of Veriluma Limited by Veriluma Software Pty Ltd does not meet the definition of a business combination under AASB 3 *Business Combinations* as Veriluma Limited did not meet the business test at the time of acquisition.

Although the transaction was not a business combination, the acquisition has been accounted for as an asset acquisition with reference to the guidance for reverse acquisitions in AASB 3 *Business Combinations* and with reference to AASB 2 *Share Based Payments*.

From an accounting perspective, the acquirer is Veriluma Software Pty Ltd and the acquiree is Veriluma Limited because the shareholders of Veriluma Software Pty Ltd gained control of Veriluma Limited post acquisition. Additionally, the directors of Veriluma Software Pty Ltd were appointed directors of Veriluma Limited on 8 September 2016, and the majority of the existing directors of Veriluma Limited resigned on this date.

The acquisition of the identifiable net assets of Veriluma Limited therefore is accounted for as a share-based payment transaction in accordance with AASB 2 *Share Based Payments*. The consideration in an acquisition accounted for under AASB 2 *Share Based Payments* is measured at the fair value of the deemed issue of shares by Veriluma Software Pty Ltd, equivalent to the current shareholders' interest in Veriluma Limited on acquisition.

The assets and liabilities of Veriluma Software Pty Ltd, as the acquirer, are measured at their pre-combination carrying amounts and the assets and liabilities of Veriluma Limited, as the acquiree, are measured at fair value at the date of acquisition.

Any excess of the fair value of the shares over the acquired assets and liabilities is recognised as a listing expense in profit or loss. Other transaction costs related to the acquisition have also been recognised as an expense in profit or loss.

	\$
Fair value of shares issued (see note 7)	13,737,266
Fair value of options acquired (see note 8)	2,212,047
Fair value of share-based payment, assessed in accordance with AASB 2	15,949,313
<i>Less:</i>	
Fair value of Veriluma Limited (formerly Parmelia Resources Limited) assets and liabilities held at acquisition:	
Cash and cash equivalents	(3,350,969)
Trade and other receivables	(55,945)
Other current assets	(24,280)
Trade and other payables	190,648
	(3,240,546)
Forgiveness of loan payable by Veriluma Software Pty Ltd	(337,389)
Listing expense on reverse acquisition recognised on the date of acquisition	12,371,378

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 5: LOSS PER SHARE

	Dec 2016	Dec 2015
Basic/diluted loss per share (cents)	4.77c	0.23c
The loss attributable to members of Veriluma Limited	\$13,632,407	\$346,451
Weighted average number of shares in issue	285,511,562	150,069,877

The effects of potential ordinary shares are only included in the diluted earnings shares where their inclusion would increase the loss per share or decrease the earnings per share. For the period ended 31 December 2016 70,296,176 options were excluded from the diluted weighted average number of ordinary shares as their effect would have been anti-dilutive. There were no options on issue for the period ended 31 December 2015.

The weighted average number of ordinary shares for the current and prior period has been adjusted for the transactions that adjust the number of shares without a corresponding change in resources (i.e. the reverse acquisition). The number of ordinary shares is adjusted as if the event had occurred at the beginning of the earliest period presented.

NOTE 6: PROVISIONS

	Dec 2016	June 2016
	\$	\$
Current provision for annual leave	147,315	124,825
Non-current provision for long service leave	37,578	34,783
	<u>184,893</u>	<u>159,608</u>

NOTE 7: CAPITAL ISSUED

31 December 2016	Number	\$
Fully paid ordinary shares		
Balance at the beginning of the financial period – 1 July 2016	271,429	423,109
Veriluma Software Pty Ltd ordinary shares	271,429	423,109
Veriluma Software Pty Ltd ordinary shares surrendered	(271,429)	-
Veriluma Limited shares issued to the shareholders of Veriluma Software Pty Ltd	162,857,400	13,737,266
Veriluma Limited shares held by the shareholders of Parmelia Resources Limited	193,389,516	-
Shares issued for non-cash a repayment of loan	2,857,143	200,000
Total Veriluma Limited ordinary shares on issue at the end of the period	<u>359,104,059</u>	<u>14,360,375</u>

In addition, Veriluma Limited has issued 40,000,000 performance shares as part of the acquisition which will convert to ordinary shares subject to various milestones being achieved and conditions satisfied (see note 8).

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 7: CAPITAL ISSUED (continued)

30 June 2016

Fully paid ordinary shares

	Number	\$
On issue at the end of the period	271,429	423,109

During the year ended 30 June 2016 an additional 21,429 shares were issued for cash consideration of \$450,009. Capital raising costs of \$27,000 were incurred resulting in a net increase in equity of \$423,009.

Issue of Ordinary Shares

On 8 September 2016, the Group completed the following transactions as a part of the reverse acquisition:

- Veriluma Limited issued 50,000,000 ordinary shares in the Company, at 7 cents each under the Prospectus dated 29 July 2016.
- Veriluma Limited issued 162,857,400 ordinary shares and 40,000,000 performance shares to the shareholders of Veriluma Pty Ltd in exchange for all the issued capital of Veriluma Pty Ltd.
- Veriluma Limited issued 2,857,143 ordinary shares in the Company to SJSM Pty Ltd in respect to outstanding loans owed by Veriluma Pty Ltd to SJSM Pty Ltd.
- Veriluma Limited issued 3,665,883 ordinary shares in the Company to K. S. Capital Pty Ltd for acting as lead manager to the Company, in relation to the Public Offer and as detailed in the Prospectus dated 29 July 2016.
- Veriluma Limited issued 13,800,000 ordinary shares in the Company to the advisors, In Sync Equity Services Pty Ltd in respect to the acquisition of Veriluma Pty Ltd and as detailed in the Prospectus dated 29 July 2016.

Prior to the acquisition Parmelia Resources Limited held 125,923,623 shares on issue.

NOTE 8: EQUITY

Performance shares

The issue of the 40,000,000 performance shares are contingent on achieving the following milestones:

Class	Performance Milestone
10,000,000 A Performance Shares	A Performance Share Milestone will be taken to have been satisfied if, on or before the 2nd anniversary of the issue of the A Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$2 million.
15,000,000 B Performance Shares	B Performance Share Milestone will be taken to have been satisfied if, on or before the 3rd anniversary of the issue of the B Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$3 million.
15,000,000 C Performance Shares	A Performance Share Milestone will be taken to have been satisfied if, on or before the 4th anniversary of the issue of the C Performance Shares, the Veriluma business achieves annual sale revenues of not less than A\$10 million.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 8: EQUITY (continued)

Share option program

Options are granted under the Company's Incentive Option Scheme. Eligible participants shall be full time or part time employees or consultants of the Company or an Associate Body Corporate. Options issued pursuant to the Scheme will be issued free of charge. The ability for the employee to exercise the options is restricted in accordance with the terms and conditions detailed in the Incentive Option Scheme. The exercise period may also be affected by other events as detailed in the terms and conditions in the Incentive Option Scheme.

Each option entitles the holder to subscribe for and be allotted one share. Shares issued pursuant to the exercise of options including bonus issues and new issues rank equally and carry the same rights and entitlements as other shares on issue.

The options have been granted to Key Management Personnel (KMP) to provide a market-linked incentive package in their capacity as KMP and for future performance by them in their roles. The KMP options vested immediately after the issue date.

Options issued

At 30 June 2016 Parmelia Resources Limited had 69,296,176 exercisable listed and unlisted options on issue. In August 2016, a further 1,000,000 unlisted options were issued under the Share option program. On the date of acquisition the options remain on issue and are exercisable on the same terms and conditions for Veriluma Limited shares. An amount of \$2,212,047 represents the fair value of the option reserve on acquisition and has been included in the determination of the listing expense in note 4.

Listed options

The fair value of 44,354,509 listed options has been calculated with reference to the listed option price immediately prior to the acquisition date.

Unlisted options

The fair value of unlisted options has been determined at acquisition date. The share price at acquisition date of \$0.08 has been used in the valuation. A volatility factor of 60% based on historical share price information of comparable companies and a risk free interest rate of 1.45% - 1.49% (depending on the remaining term of the options) has been used. These options have no vesting period. The unlisted options comprise the following:

	Number	Exercise price	Expiry date
Loyalty options	15,941,667	\$0.150	15/11/2016
Director options 1	4,500,000	\$0.065	31/10/2016
Director options 2	4,500,000	\$0.064	31/10/2017
Director options 3	1,000,000	\$0.109	08/09/2019

Lapsed options

During the period 20,441,667 of the unlisted options with an acquisition date fair value of \$76,744 expired. The acquisition date fair value has been transferred from the option reserve to accumulated losses.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 9: FINANCIAL INSTRUMENTS

Financial liabilities	Dec 2016	June 2016
	\$	\$
Loans from related parties	25,911	999,684
Loans from other parties	-	200,000
	<u>25,911</u>	<u>1,199,684</u>

The loans from related parties have an interest rate of 8% (30 June 2016: 8%), are unsecured and repayable on demand. For the six months ended 31 December 2016 the Group paid \$8,942 in interest to related parties. The loans from related parties at 30 June 2016 includes the payable owed by Veriluma Pty Ltd to Parmelia Resources Limited prior to the reverse acquisition. On completion of the acquisition the balance of \$337,389 was forgiven (see note 4).

The loans from other parties were owed to SJSJ Pty Ltd and were settled on 8 September 2016 through the issuance of 2,857,143 shares in Veriluma Limited (see note 7).

Related party receivables

At 31 December 2016, the Group was owed \$22,715 from Legal Logix Holdings Pty Ltd, the Group's joint venture. The receivable accrues interest at a rate of 7%, is unsecured and has a term of 3 years however given its recoverability is dependent on the entity producing future revenues, its recovery is deemed doubtful at 31 December 2016 and the receivable has been fully provided for. The Directors are continuing to pursue the recovery of this amount.

NOTE 10: SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No matter or circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group or economic entity in subsequent financial periods.

**VERILUMA LIMITED AND ITS CONTROLLED ENTITIES
(FORMERLY KNOWN AS PARMELIA RESOURCES LIMITED)
ABN 48 142 901 353
INTERIM FINANCIAL REPORT 31 DECEMBER 2016
DIRECTORS' DECLARATION**

The Directors of the Veriluma Limited (the Company) declare that:

1. The financial statements and notes set out on pages 7 to 21 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001, and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.



Richard Anstey
Non-Executive
Chairman

28 February 2017



Independent auditor's review report to the members of Veriluma Limited

We have reviewed the accompanying interim financial report of Veriluma Limited, which comprises the consolidated statement of financial position as at 31 December 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 10, comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Responsibility of the Directors for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Veriluma Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Independent auditor's review report to the members of Veriluma Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Veriluma Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to Note 2(d) "Going Concern" in the interim financial report. The conditions disclosed in Note 2(d), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report.

KPMG

KPMG

Adam Twemlow
Partner

Bundall

28 February 2017